



## Chapter

# 6

## Service Credit

**Maximum Creditable Service in One Year**

**Adding Service Credit to a Member's Record**

**Employer Responsibilities for Sick Leave Days**

**Sick Leave Service Credit**

**Sick Leave Compensation**

**Personal Leave Days**

**Unused Vacation Days**

**Leave of Absence/ Sabbatical Leave**

**Labor Contract Litigation**

**Duplicate Service Credit**

## EMPLOYER RESPONSIBILITIES

**For Active Members:** Certify on the annual report the number of days paid, number of days in contract, extra service pay, and contributions withheld.  
(See Chapter 5)

**For Retiring Members:** Certify the number of days paid, number of contract days, number of unused sick leave days, and the amount of compensation on the member's retirement application.  
(See Chapter 11)

Service credit is the time that members accumulate during their careers in a KTRS-covered position that is used in calculating their retirement benefit. A member may never receive more than one year of service credit for any one fiscal year. There are opportunities for members to purchase additional service credit to add to their retirement accounts. The types of service credit purchases are described in Chapter 7.

Since most members have an employment contract, service credit is awarded based on the number of days paid in relation to the number of days in the contract. Contracts can have different total days required due to the type of position covered, i.e. teaching or administrative. Members employed on a part-time or substitute basis will be awarded service credit based on the number of days paid out of a normal teaching contract for that district or 185 days, whichever is greater.

Service credit is granted for days paid for which periodic payment is made to the member for:

- Service rendered that requires certification under the School Code;
- Legal school holidays;
- Attendance during the workweek at teachers' institutes, workshops and parent/ teacher conferences scheduled in the school calendar; and
- Vacation, personal, or sick leave days used before termination.

Service credit is not granted for Saturdays or Sundays except in the rare instance where the Saturday service is required as a lawful day of attendance.

Sick days, vacation days, and contract buy-outs paid in a lump sum cannot be used to establish service credit with KTRS. **Likewise, a member may not earn service credit for days they were paid while on a board-approved leave of absence.** However, the member may be eligible to purchase the leave as additional service credit. (See Chapter 7, Purchase of Additional Service Credit)

## MAXIMUM CREDITABLE SERVICE IN ONE YEAR

A maximum of one year of service is creditable for all days worked in any one fiscal year. KTRS grants a full year of service credit to any member who is employed and receives creditable earnings for all of the contract days of an employment contract upon certification of the employer. Members are entitled to a full year of service credit if their total unpaid days were five (5) or fewer out of the number of days in their employment contract. If the member has more than five (5) unpaid days out of the number of days in their employment contract, the member will be awarded service credit based on the number of days paid in relation to the number of days in the employment contract.

Members of more than one Kentucky public retirement system cannot receive more than one year of service credit in a fiscal year. At the time of retirement, members who have overlapping service credit will have their service credit reduced so that they receive no more than one year of service credit in a fiscal year.

**Note: Members who complete their employment contract before the close of a fiscal year and elect to retire prior to the close of a fiscal year will have their service credit reduced by eight percent (8%) for each calendar month that the retirement becomes effective before July 1. If a member retires effective June 1, the most service credit a member can receive is .92 (per KRS 161.500) even if the member completed their contract and was paid their entire contract salary.**

### **ADDING SERVICE CREDIT TO A MEMBER'S RECORD**

At the close of each fiscal year, the retirement system will add service credit to the account of each member who contributed during the year. Members' service credit is recorded based upon the number of days paid in relation to the total number of days in the employment contract reported on the Employer's Annual Report of Earnings form. (See Chapter 5, Employer's Annual Report of Earnings.)

The Employer's Annual Report of Earnings and the reconciliation process (described in Chapter 5) result in an annual **Statement of Retirement Account** that is mailed to every member in September. Members are encouraged to carefully review this statement. The annual statement is subject to a final audit by KTRS and any corrections will be made in accordance with the applicable statutes and regulations.

#### **EMPLOYER RESPONSIBILITIES FOR SICK LEAVE DAYS**

**As an employer, you certify the number of unused, uncompensated sick leave days on the member's retirement application. Depending on the employer's policies at the time of retirement, employers have three options regarding the treatment of sick days in the member's retirement benefit:**

- (1) not to include sick leave in the member's final retirement benefit;**
- (2) to convert the sick leave days to service credit; or**
- (3) to pay the member for their sick leave days.**

**Employers need to notify KTRS whenever a change in their sick leave policy occurs. Copies of changes to employer's written policies regarding the treatment of sick leave must be received by KTRS before a member's retirement date.**

### **SICK LEAVE SERVICE CREDIT [KRS 161.623]**

Members may receive service credit at retirement for unused, uncompensated sick leave. To be creditable for retirement purposes, sick leave days must have been accumulated while in a KTRS position. Upon receipt of the member's application for service retirement, the employer shall certify the retiring member's unused accumulated sick leave balance. The amount of service credit available

to a member can be determined by dividing the number of sick leave days by 185. The sick leave credit cannot be used for determining whether the member is eligible to receive a retirement annuity.

KTRS will compute the cost of the sick leave credit for each retiring member and will bill the last employer of the retiring member for the full actuarial cost as defined in KRS 161.220(22). The employer is required to pay the cost of such service credit within fifteen (15) days after receiving notification of the cost. Retiring members who receive service credit under this section will not be eligible to receive compensation for accrued sick leave. Employer participation is optional and the employer may opt to purchase less service credit than the member is eligible to receive provided the same percentage of reduction is made applicable to all retiring members of the employer during a fiscal year.

### **SICK LEAVE COMPENSATION KRS [161.155 (9)]**

A district board of education may compensate a member for unused sick leave days at the time of retirement or upon the death of a member in active contributing status who was eligible to retire because of service credit. The rate of compensation for each unused sick leave day must be based on a percentage of the daily salary rate from the member's last annual salary, not to exceed 30%. The district will deduct retirement contributions, remit them to KTRS, and the member will receive salary credit based on the contributions received.

### **PERSONAL LEAVE DAYS**

A member may earn service credit or compensation for unused personal leave days if the employer policy is that the days roll into sick days and then are added to sick leave and reported on the retirement application.

#### **Unused Vacation Days**

KTRS will not grant service credit for unused vacation/annual days. In accordance with the employer policy, a member may be compensated for up to sixty (60) days of unused accrued annual/vacation days, which is considered part of the member's final annual compensation.

#### **Leave of Absence/Sabbatical Leave**

A member who is on a paid or unpaid leave of absence or sabbatical leave for any reason may not be granted service credit for the period of the leave. However, the member may be eligible to purchase the leave/sabbatical as service credit. (See Chapter 7, Purchase of Additional Service Credit).

#### **Labor Contract Litigation**

When a KTRS member is dismissed, suspended, or demoted, litigation may ensue that could result in the filing of a grievance or case in the circuit court. If the employer's action is successfully challenged or a settlement agreement entered into, with compensation paid to the member and contributions made to KTRS, KTRS will grant the salary and service credit that would have been earned by the member had the employer not taken the disputed action. Any member involved in pending litigation with their employer that might have an effect on the member's retirement account should contact KTRS to ensure that necessary steps are taken to improve the member's retirement account. (See Chapter 3, Creditable Earnings, for further information. See also KRS 161.612 for details.)

**Duplicate Service Credit**

A member may use service credit under KTRS for retirement credit under another public retirement system. However, the member must take a refund of his or her KTRS service credit.

If KTRS receives written certification that a KTRS annuitant has used KTRS service credit in another public retirement system, the duplicated service credit will be removed from the annuitant's record, and the annuitant's retirement annuity will be reduced accordingly. In addition, KTRS will offset any future benefits paid to the annuitant's beneficiary by the amount that KTRS overpaid the annuitant. Military service is an example where two retirement systems could allow the member to purchase this time.